



## **DRAFT ANNUAL BUDGET OF**

**2018/19 TO 2020/21**

**MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

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## PART 1 – ANNUAL BUDGET

### 1.1 Mayor's Report

In his Budget Speech to Parliament on 21 February 2018, the Minister of Finance stated that “Local governments continue to face significant financial management and governance challenges. Too many municipalities do not charge tariffs that reflect the full cost of the services they deliver, in particular for water services. **Many municipalities do not collect the funds that are owed to them, and do not adopt credible budgets. As a result, they are unable to pay their own creditors.** National government already provides extensive capacity support to municipalities, but over the period ahead we will review the effectiveness of these different support measures and introduce a new instrument designed to assist the turnaround of some of the most troubled municipalities.

The Mpofana Local Municipality have limited financial resources to satisfy the unlimited needs of the people. The municipality continues to provide electricity to the Mpofana Community at substantial loss as the people are not paying for this service. This is one of the challenges that has resulted in the municipality's dire financial situation which coupled with other challenges has seen the municipality being placed under administration by KZN COGTA in terms of section 139 (1) (b) of the Constitution.

**The municipality welcomes this intervention by KZN COGTA** as it will restore focus on service delivery; enhance revenue collection, improved institutional capacity and performance as well as the attainment of the Constitutional Objects of Local Government.

The municipality is currently operating with an unfunded budget due to escalating operational cost and high outstanding creditors. In order to remedy this situation, cost curtailment measures are being implemented and this is in line with administrators' council adopted recovery plan.

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**The Mayor: Concillor X Duma**

## **1.2 Council Resolution (*copy attached*)**

On 29 March 2018 the Council of Mpofana Local Municipality met in the Council Chambers of the Municipality to consider the annual budget of the municipality for the financial year 2018/19. The Council approved and adopted the following resolutions

1. The Council of Mpofana Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The annual budget of the municipality for the financial year 2018/19 and the multi-year and single-year capital appropriations.
  - 1.2. The financial position, cash flow budget, reserve/accumulated surplus, asset management and basic service delivery targets
2. The Council of Mpofana Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2018 Budget related policies and other finance policies i.e:
  - 2.1. the draft tariffs for property rates
  - 2.2. the draft budget policy
  - 2.3. the credit control and debt collection policies
  - 2.4. the ash Management and Investment Policy
  - 2.5. the draft SCM policy
  - 2.6. the draft asset management policy

## **1.3 Executive Summary**

The application of sound financial management principles for the compilation of Mpofana Local Municipality's financial plan is essential and critical to ensure that the municipality recovers from the financial distress without compromising the service delivery and core competencies of the municipality. The communities are still expecting high quality of service more especially the basic services.

This draft budget is informed by the assessment that was done by KZN Provincial Treasury on the adjustment budget. MFMA section 23(1) b states that the municipal council must consider any views of the national treasury, the relevant provincial treasury and any provincial or national organ of the state or municipalities which made submissions on the budget.

Based on the aforementioned assessment the municipality's budget for 2018/19 financial year was declared by the KZN Provincial Treasury as not fully funded. To remedy the situation all budget items presented on the draft budget were reviewed taking cognisance of findings raised by KZN Provincial Treasury and other inputs received from Treasury.

The main challenges experienced during the compilation of the draft budget for the 2018/19 MTREF can be summarised as follows:

- The municipality does not have cash reserves to fund its budget;
- The budget is mainly funded by government grants;
- Low collection levels of outstanding debtors;
- Unreliable customer information;
- High indigent rate and or unquantified percentage of indigent customers;
- Aging and poorly maintained infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and current cash position of the municipality;
- Huge reliance on commercial customers to fund the poor performing domestic customers with regards to payment of municipal services such as electricity.
- High employee costs that continue to increase, as well as the need to fill critical vacancies;
- Capital projects can only be funded from grants, no internal funds;
- Long outstanding creditors more specifically the Eskom account; and
- Challenges in the implementation of the *mSCOA*.

### 1.3.1 Budget assumptions

The following budget principles and guidelines directly informed the compilation of the draft annual budget 2018/19 MTREF:

- The 2017-2018 Adjustment Budget priorities and targets, as well as the base line allocations contained in that Adjustment Budget.
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality;
- No budget was allocated to national and provincial funded projects unless respective grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Reduction, to a lowest level, of the expenditure relating to the following items:
  - Special Projects;
  - Furniture and office equipment;
  - Special Events;
  - Refreshments and entertainment;
  - Ad-hoc travelling and;
  - Subsistence, Travelling & Conference fees (national & international);

Other operating expenditures and allocations to these abovementioned items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2018/19 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2018/19 MTREF**

<b>R thousands</b>	<b>Adjustment Budget 2018/19</b>	<b>Budget Year 2018/19</b>	<b>Budget Year +1 2019/20</b>	<b>Budget Year +2 2020/21</b>
Total Operating Revenue	137 640	144 247	148 734	159 559
Total Operating Expenditure	154 876	172 951	176 231	187 422
<b><i>(Surplus)/Deficit for the year</i></b>	<b>(17 236)</b>	<b>(28 694)</b>	<b>(27 487)</b>	<b>(27 852)</b>
Total Capital Expenditure	15 164	16 878	12 031	12 456

### **1.3.2 Total Operating Revenue**

Total operating revenue has grown by 3 per cent or R 4.6 million for the 2018/19 financial year when compared to the 2018/19 Adjustments Budget. For the two outer years, operational revenue will increase by 3 per cent and 8 per cent respectively, equating to a total revenue growth of R15.7 million over the MTREF when compared to the 2018/19 financial year.

### **1.3.3 Total Operating Expenditure**

Total operating expenditure for the 2018/19 financial year has been appropriated at R 172 million and translates into a budgeted deficit of R 28, 7 million. When compared to the 2018/19 Adjustments Budget, operational expenditure has grown by 12 per cent in the 2018/19 budget and by 2 and 6 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years is R 27, 5 million and R 27, 9 million.

### **1.3.4 Total Capital Expenditure**

The capital budget of R16.9 million for 2018/19 is 11 per cent more when compared to the 2017/18 Adjustment Budget. The **increase is due to an allocation of R 5million being made for the once purchase of plant and equipment.** It is worth noting that there was a budget cut on the MIG Allocation for 2018/19 as announced by the Finance Minister. The Mpofana budget was reduced by 2.34 percent.

## **1.4 Operating Revenue Framework**

For Mpofana Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The municipality has identified that there are challenges within its revenue value chain which could potentially be turned around to opportunities. The municipality is currently faced with an increasing arrear debt which requires urgent attention. Given the challenges in the revenue value chain a revenue enhancement strategy is being formulated which is centered around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Mooi River Area and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services;

The following table is a consolidated summary of the adjusted 2016/17 MTREF (*classified by main revenue source*):



**Table 2: Summary of revenue classified by main revenue source**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
Revenue By Source											
Property rates	2	12 407	13 053	13 682	14 624	17 435	17 435	17 435	18 481	19 590	20 765
Service charges - electricity revenue	2	42 297	46 548	49 470	55 375	55 646	55 646	55 646	59 452	62 663	65 156
Service charges - refuse revenue	2	2 740	3 243	3 141	3 327	3 327	3 327	3 327	3 816	4 011	4 215
Rental of facilities and equipment		534	447	213	252	126	126	126	133	140	148
Interest earned - external investments		2 681	780	275	397	111	111	111	117	123	130
Interest earned - outstanding debtors			1 771	2 718	2 897	2 897	2 897	2 897	3 051	3 215	3 392
Fines, penalties and forfeits		6 216	8 691	7 078	8 218	8 218	8 218	8 218	8 654	9 121	9 622
Licences and permits		2 521	1 484	3 202	3 937	2 542	2 542	2 542	2 677	2 821	2 976
Transfers and subsidies		34 434	40 001	41 364	44 614	38 614	38 614	38 614	44 022	43 144	49 209
Other revenue	2	2 440	3 071	2 689	3 074	4 086	4 086	4 086	3 844	3 906	3 946
Total Revenue (excluding capital transfers and contributions)		106 270	119 089	123 832	136 715	133 002	133 002	133 002	144 247	148 734	159 559

**Table 3 Percentage in revenue by main revenue source**

Description		2018/19 Medium Term Revenue & Expenditure Framework					
R thousand	Adjusted Budget	Budget Year 2018/19		Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
Revenue By Source							
Property rates	17 435	18 481	6%	19 590	6%	20 765	6%
Service charges - electricity revenue	55 646	59 452	7%	62 663	5%	65 156	4%
Service charges - refuse revenue	3 327	3 816	15%	4 011	5%	4 215	5%
Rental of facilities and equipment	126	133	6%	140	5%	148	6%
Interest earned - external investments	111	117	5%	123	5%	130	6%
Interest earned - outstanding debtors	2 897	3 051	5%	3 215	5%	3 392	6%
Fines, penalties and forfeits	8 218	8 654	5%	9 121	5%	9 622	5%

Description		2018/19 Medium Term Revenue & Expenditure Framework					
		Budget Year 2018/19		Budget Year +1 2019/20	%	Budget Year +2 2020/21	%
R thousand	Adjusted Budget						
Licences and permits	2 542	2 677	5%	2 821	5%	2 976	5%
Transfers and subsidies	38 614	44 022	14%	43 144	-2%	49 209	14%
Other revenue	4 086	3 844	-6%	3 906	2%	3 946	1%
Total Revenue (excluding capital transfers and contributions)	133 002	144 247	8%	148 734	3%	159 559	7%

### 1.4.1 Property Rates

The property rates have been increased by 6 percent from the Adjustment Budget for 2017/18 which is about R 1 million. The increase in the property rates was informed by the MFMA Circular no 91 which indicated a Consumer Price Index increment of 3 to 6 percent. In line with the Circular the rates were capped at 6 percent. The categories of rateable properties for purposes of levying rates and the proposed rates for the 2018/19 financial year based on a 6 per cent increase from 1 July 2018 is contained below:

**Table 5 Comparison of proposed rates to levied for the 2018/19 financial year**

Rates Category	Tariff 2017 / 2018	Tariff 2018 / 2019	Rebate	Other Rebate
	Current	Draft		
Agricultural Property	0,0035005	0,0037105	55%	
Agricultural Smallholding	0,0035005	0,0037105	55%	
Business & Commercial	0,0169078	0,0179223	0%	
Business & Commercial - Sectional Title	0,0169078	0,0179223	0%	
Communal Property & Land Reform	0,0041768	0,0044274	55%	
Industrial	0,0221369	0,0234651	0%	
Municipal	0,0000000	0,0000000	100%	
Place Of Worship	0,0158017	0,0167498	100%	
Protected Area	0,0000000	0,0000000	100%	
Public Benefit Organisation	0,0080854	0,0085706	20%	
Public Service Infrastructure	0,0041823	0,0044333	75%	

Rates Category	Tariff 2017 / 2018	Tariff 2018 / 2019	Rebate	Other Rebate
	Current	Draft		
Residential	0,0140018	0,0148419	30%	50 000,00
Residential - Sectional Title	0,0140018	0,0148419	30%	50 000,00
Residential - Smallholding	0,0059442	0,0063008	55%	
State Owned	0,0169078	0,0179223	0%	
Tourism And Hospitality - Rural	0,0110683	0,0117324	30%	
Tourism And Hospitality - Urban	0,0159767	0,0169353	15%	

### 1.4.2 Electricity

The Electricity Charges have been increased by 6.84 percent from the Adjustment Budget for 2017/18 which is about R 3.8 million. The increase in the electricity tariffs was informed by the MFMA Circular no 91 read in conjunction with the NERSA Consultation Paper on the Municipal Tariffs Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2018/19 Financial Year. The categories of electricity users for purposes of levying the tariffs and the proposed increase for the 2018/19 financial year based on a 6.84 per cent increase from 1 July 2018 is contained below:

**Table 6 Comparison between current electricity charges and increases**

Electricity Category	Tariff 2017 / 2018	Tariff 2018 / 2019
	Current	Draft
Domestic Credit & Prepaid Meter Tariff		
Inclining Block Tariff		
0 - 50 Kwh	0,85580	0,91434
51 - 350 Kwh	1,10030	1,17556
351- 600 Kwh	1,54860	1,65452
601> Kwh	1,82370	1,94844
Commercial Credit Meter Tariff	1,79150	1,91404
Monthly Charge	R127.35 / Month	R136.06 / Month

Electricity Category	Tariff 2017 / 2018	Tariff 2018 / 2019
	Current	Draft
Commercial Prepaid Meter Tariff	1,83400	1,95945
Monthly Charge	R0 / Month	R0 / Month
<b>Industrial Low Voltage 400v</b>		
Notified Demand	R59 / Month	R63.04 / Month
Actual Demand	R25 / Month	R26.71 / Month
Monthly Charge	R9300 / Month	R9936.12 / Month
<b>Summer</b>		
Peak	1,54110	1,64651
Standard	1,09580	1,17075
Off Peak	0,73660	0,78698
<b>Winter</b>		
Peak	4,49060	4,79776
Standard	1,44260	1,54127
Off Peak	0,83300	0,88998
<b>Industrial High</b>		
<b>Summer</b>		
Peak	1,04230	1,11359
Standard	0,74140	0,79211
Off Peak	0,49850	0,53260
Network Access Charge	R25 / Month	R26.71 / Month
Network Demand Charge	R30 / Month	R32.05 / Month
Service Charge	R8400 / Month	R8974.56 / Month
<b>Winter</b>		
Peak	2,94640	3,14793
Standard	0,96260	1,02844
Off Peak	0,55770	0,59585
Network Access Charge	R30 / Month	R32.05 / Month
Network Demand Charge	R35 / Month	R37.39 / Month
Service Charge	R8500 / Month	R9081.40 / Month

Electricity Category	Tariff 2017 / 2018	Tariff 2018 / 2019
	Current	Draft
Admin Fee	50% Of Eskom Admin Fees	

### 1.4.3 Refuse

The budgeted amount in respect refuse is calculated based on the number of consumers receiving the service in 2017/18 financial year. Based on the Adjustment Budget for 2017/18 financial year refuse charges were increased by 6 percent which is R 489 thousands.

The categories of refuse for the purposes of charging refuse and the proposed rates for the 2018/19 financial year based on a 6 per cent increase from 1 July 2018 is contained below

	Tariff 2017 / 2018	Tariff 2018 / 2019
REFUSE CATEGORY	Current	Draft
Refuse Domestic Mooi River & Rosetta	72,72	77,08
Refuse Domestic Bruntville & Townview	72,72	77,08
Refuse Commercial Bulk	1 719,84	1 823,03
Refuse Commercial Bi-Weekly	220,23	233,44
Refuse Commercial 5 x A Week	550,79	583,84
Refuse Commercial Business	260,05	275,65
<b>OTHER REFUSE</b>		
Garden Refuse Removal - Half Load	79,00	83,74
Garden Refuse Removal - Full Load	157,87	167,34
Landfill Site - Car	69,25	73,41
Landfill Site - Bakkie	209,75	222,34
Landfill Site - Truck (1 - Up To 5 Ton)	-	438,60
Landfill Site - Truck (6 Tons and more)	1 316,67	1 395,67

#### ***1.4.4 Rental of facilities and equipment***

The revenue from rentals has been increased by 6 percent from the Adjustment Budget for 2017/18 which is about R 7 thousands. The increase in the revenue from rentals was informed by the MFMA Circular no 91 which indicated a Consumer Price Index increment of 3 to 6 percent.

#### ***1.4.5 Interest earned – external investment***

The interest earned on external investment has been increased by 6 percent from the Adjustment Budget for 2017/18 which is about R 6 thousands. The increase in the interests earned was informed by the MFMA Circular no 91 which indicated a Consumer Price Index increment of 3 to 6 percent. Furthermore, given the dire financial situation of the municipality it is expected that the municipality will not be investing extensively during the 2018/19 financial year, however this is expected to improve in the outer years.

#### ***1.4.6 Interest earned – Outstanding Debtors***

The interest earned on outstanding debtors has been increased by 6 percent from the Adjustment Budget for 2017/18 which is about R 6 thousands. The increase in the interests earned was informed by the MFMA Circular no 91 which indicated a Consumer Price Index increment of 3 to 6 percent.

#### ***1.4.7 Fines and penalties***

The fines and penalties have been increased by 5 percent from the Adjustment Budget for 2017/18 which is about R 436 thousands. The increase in the revenue from rentals was informed by the MFMA Circular no 91 which indicated a Consumer Price Index increment of 3 to 6 percent.

#### ***1.4.8 Licenses and permits***

The revenue from rentals has been increased by 5 percent from the Adjustment Budget for 2017/18 which is about R 135 thousands. The increase in the revenue from rentals was informed by the MFMA Circular no 91 which indicated a Consumer Price Index increment of 3 to 6 percent.

**Table 7 Operating Transfers and Grant Receipts**

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>RECEIPTS:</b>	1, 2									
<u>Operating Transfers and Grants</u>										
National Government:		33 422	36 524	38 518	43 125	37 125	37 125	41 957	40 971	41 162
Local Government Equitable Share		24 807	27 603	27 693	29 225	29 225	29 225	32 003	35 036	37 655
Integrated National Electrification Programme		5 000	6 000	8 000	5 000	5 000	5 000	6 984	3 500	840
Finance Management		1 800	1 800	1 825	1 900	1 900	1 900	1 970	2 435	2 867
EPWP Incentive		881	1 121	1 000	1 000	1 000	1 000	1 000		
Energy Efficiency and Demand Management					6 000					
Municipal Systems Improvement		934								
Other transfers/grants										
Provincial Government:		1 012	1 386	1 100	1 489	1 489	1 489	2 065	2 173	2 287
Art and Culture		1 012	1 386	1 100	1 489	1 489	1 489	2 065	2 173	2 287
Other grant providers:		–	1 273	1 746	–	–	–	–	–	–
			1 273	1 746						
<b>Total Operating Transfers and Grants</b>	5	34 434	39 183	41 364	44 614	38 614	38 614	44 022	43 144	43 449
<u>Capital Transfers and Grants</u>										
National Government:		9 830	16 295	11 680	12 164	12 164	12 164	11 878	13 031	12 456
Municipal Infrastructure Grant (MIG)		9 830	16 295	11 680	12 164	12 164	12 164	11 878	13 031	12 456
Provincial Government:		–	–	1 797	–	–	–	–	–	–
Small Town (COGTA)				1 797						
<b>Total Capital Transfers and Grants</b>	5	9 830	16 295	13 477	12 164	12 164	12 164	11 878	13 031	12 456
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		44 264	55 478	54 840	56 778	50 778	50 778	55 900	56 175	55 905

## 1.5 Expenditure on allocations and grant programmes

### 1.5.1 Operating Expenditure

The following table is a high level summary of the 2018/19 budget and MTREF (classified per main type of operating expenditure):

**Table 8 Operating Expenditure**

Description R thousand	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Expenditure By Type</b>	-										
Employee related costs	2	25 170	31 171	33 459	35 343	35 343	35 343	35 343	37 257	38 624	40 470
Remuneration of councilors		1 903	2 486	2 718	3 186	2 741	2 741	2 741	2 752	2 901	3 060
Debt impairment	3	2 313	14 651	16 350	18 820	9 820	9 820	9 820	10 500	10 500	10 500
Depreciation & asset impairment	2	4 449	9 574	12 350	7 622	7 622	7 622	7 622	13 700	14 310	14 944
Finance charges		579	249	385	720	1 120	1 120	1 120	400	350	320
Bulk purchases	2	42 361	52 920	57 468	66 390	66 390	66 390	66 390	69 975	73 754	77 810
Other materials	8										
Contracted services		1 454	14 644	7 132	6 363	7 500	7 500	7 500	14 808	15 088	15 388
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	15 339	19 554	30 532	16 440	25 430	25 430	25 430	23 559	20 704	24 930
Loss on disposal of PPE			71	818							
<b>Total Expenditure</b>		<b>93 568</b>	<b>145 320</b>	<b>161 212</b>	<b>154 884</b>	<b>155 966</b>	<b>155 966</b>	<b>155 966</b>	<b>172 951</b>	<b>176 231</b>	<b>187 422</b>

### 1.5.2 Employee Related Costs

The budgeted allocation for employee related costs for the 2018/19 financial year totals R 37 million, which equals 22 per cent of the total operating expenditure. Salary increases have been factored into this budget at a percentage increase of 5.42 per cent for the 2018/19 financial year. This figure could possible change as the salary and wage collective agreement for the period 01 July 2015 to 30 June 2018 has come to an end and the process is under consultation. The municipality is also implementing cost curtailment



measures; the overtime for employees has been reduced to bear minimum on the draft budget as only department(s) rendering essential services is budgeted overtime.

### **1.5.3 Remuneration of Councillors**

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). **No provision for increment has been made for councillors as the municipality is under administration in terms of section 139 (1)(b) of the Constitution. Furthermore, concurrence for the upper limits implementation from MEC of KZN CoGTA is still outstanding.**

### **1.5.4 Debt impairment**

In an attempt to minimise debt write offs and as part of revenue collection, the municipality has appointed debt collectors with the sole purpose of ensuring maximum recovery of outstanding debts. This process has already started and parallel to it is the implementation of revenue enhancement strategies which will also improve customer services. Therefore against this background and the provisional calculations of provision for debt impairment using treasury guidelines an amount of R 10.5million has been put aside as debt impairment for 2018/19.

NB: The basis for our provision for impairment calculation is as follows:

- The debtors' book as at the end of December 2018
- The split of the revenue billed according to services
- The status and classification of accounts / consumers in the debtors book as "active and inactive"
- Utilisation of the following matrix in line with best practice and treasury guidelines:

Indicators	Debtor type			
	Residential	Commercial	Indigent	Government
Aging between 0 – 30 days outstanding	4	4	0	4
Aging between 30 – 90 days outstanding	3	4	0	4

Indicators	Debtor type			
	Residential	Commercial	Indigent	Government
Aging between 90 – 120 days outstanding	2	3	0	4
Aging between 120 – 180 days outstanding	1	2	0	4
Aging more then 180 days outstanding	0	1	0	4
Active account	1	1	0	2
Inactive account	0	0	0	1
Owners' account	1	1	0	2
Tenants' account	1	1	0	2
List of other examples				
<b>MAX points that can be earned</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>8</b>

#### Scoring matrix

Scoring	Residential	Business	Indigent	Government
0 – 4	Most probably impaired	Most probably impaired	Most probably impaired	Most probably impaired
0	100% of debtor amount	100% of debtor amount	100% of debtor amount	100 % of debtor amount
1	80% of debtor amount	80% of debtor amount	80% of debtor amount	80% of debtor amount
2	60% of debt amount	60% of debt amount	60% of debt amount	60% of debt amount
3	40% of debt amount	40% of debt amount	40% of debt amount	40% of debt amount
4	20% of debt amount	20% of debt amount	20% of debt amount	20% of debt amount
5 – 8	Probably not impaired	Probably not impaired	Probably not impaired	Probably not impaired

### **1.5.5 Depreciation**

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 13, 7 million for the 2018/19 financial and equates to 8 per cent of the total operating expenditure.

### **1.5.6 Finance charges**

Finance charges consist primarily of the interest payment on the Eskom outstanding account. Whilst the municipality has concluded a repayment plan for the Eskom account and the interest debt element was frozen it is prudent to set aside some funds for interest charges on late payment given the history and the financial condition of the municipality.

### **1.5.7 Bulk Electricity Purchases**

Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

### **1.5.8 Contracted services**

The municipality is implementing cost curtail measures which will also focus on the review of existing and expired contracts the municipality has with service providers. Non-priority contracted expenditures will be reviewed with an intention to reduce commitments on non-essential services.

### **1.5.9 Other expenditure**

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. Furthermore non-priority expenditures have been reduced to zero. All the others have been reduced to a minimum.

**Table 9: Operating Transfers and Grant Receipts**

Description	Allocation
Local Government Equitable Share	32 003
Integrated National Electrification Programme	6 984
Finance Management	1 970
EPWP Incentive	1 000
Art and Culture	2 065
Municipal Infrastructure Grant (MIG)	11 878
<b>Total</b>	<b>55 900</b>

### 1.5 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 10: Capital Expenditure**

Municipal Vote/Capital project	Program/Project description	Individual ly Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2018/19 Medium Term Revenue & Expenditure Framework			Project information	
R thousand		6	3	3		Audited Outcome 2016/17	Current Year 2017/18 Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21	Ward location	New or renewal
Infrastructure Project	Rehabilitation of York Terrace	No	Roads Infrastructure	Roads	9 401	11 680	12 164	2 832	12 031	12 456	1	Renewal
Infrastructure Project	Construction of Ronderbosch Community Hall	No	Community Facilities	Halls	2 341			2 099			2	New
Infrastructure Project	Rehabilitation of Bruntville Internal Road	No	Roads Infrastructure	Roads	8 653			2 583			3	Renewal
Infrastructure Project	Construction of Bhumaneni Crèche	No	Community Facilities	Crèches	2 356			2 055			4	New
Infrastructure Project	Rehabilitation of Phumlas Road	Yes	Roads Infrastructure	Roads	10 199			2 308			5	Renewal
Total Capital expenditure					32 950	11 680	12 164	11 878	12 031	12 456		

## 1.6 Cash flow Table 11

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates		12 274	18 527	11 457	12 192	13 948	13 948	13 948	17 557	18 611	19 727
Service charges		45 351	35 731	40 406	46 277	46 277	46 277	46 277	55 415	58 378	60 748
Other revenue		2 521	4 120	4 180	11 372	10 959	10 959	10 959	9 260	9 613	9 967
Government - operating	1	34 434	41 431	41 593	44 614	38 614	38 614	38 614	44 022	43 144	49 209
Government - capita	1	9 830	16 295	11 680	12 164	12 164	12 164	12 164	11 878	12 031	12 456
Interest		2 504	306	275	2 715	2 429	2 429	2 429	117	123	130
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees		(104 972)	(120 628)	(160 827)	(122 534)	(137 404)	(137 404)	(137 404)	(176 851)	(177 371)	(170 033)
Finance charges				(385)	(720)	(1 120)	(1 120)	(1 120)	(400)	(350)	(320)
Transfers and Grants	1								-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>1 942</b>	<b>(4 217)</b>	<b>(51 620)</b>	<b>6 080</b>	<b>(14 133)</b>	<b>(14 133)</b>	<b>(14 133)</b>	<b>(39 002)</b>	<b>(35 821)</b>	<b>(18 116)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE									-	-	-
Decrease (increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets		(9 830)	(16 295)	(11 680)	(12 164)	(12 164)	(12 164)	(12 164)	(11 878)	(12 031)	(12 456)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(9 830)</b>	<b>(16 295)</b>	<b>(11 680)</b>	<b>(12 164)</b>	<b>(12 164)</b>	<b>(12 164)</b>	<b>(12 164)</b>	<b>(11 878)</b>	<b>(12 031)</b>	<b>(12 456)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits					266	266	266		-	-	-
<b>Payments</b>											
Repayment of borrowing		(955)							-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(955)</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>266</b>	<b>266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(8 843)</b>	<b>(20 512)</b>	<b>(63 300)</b>	<b>(5 818)</b>	<b>(26 031)</b>	<b>(26 031)</b>	<b>(26 297)</b>	<b>(50 880)</b>	<b>(47 852)</b>	<b>(30 572)</b>
Cash/cash eq. valents at the year begin:	2	2 345	4 944	497	(14 071)	497			497	(50 384)	(98 236)
Cash/cash eq. valents at the year end:	2	(6 498)	(15 568)	(62 804)	(19 889)	(25 534)	(26 031)	(26 297)	(50 384)	(98 236)	(128 808)

**NB: Included in the cash flow – Payment to suppliers and employees is the Eskom repayment commitment of R 26.8 million and the AGSA repayment commitment of R 850 000.**

## 1.7 Annual Budget Tables

**Table 12 MBRR Tables 1 - Budget Summary**

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousands</b>										
<b><u>Financial Performance</u></b>										
Service charges	57 444	62 844	66 293	73 326	76 408	76 408	76 408	81 749	86 263	90 136
Investment revenue	534	447	213	252	126	126	126	133	140	148
Other own revenue	48 292	55 798	57 326	63 137	56 468	56 468	56 468	62 375	62 340	69 265
	106 270	119 089	123 832	136 715	133 002	133 002	133 002	144 257	148 743	159 569
<b>Gains on disposal of PPE</b>										
Remuneration of councillors	25 170	33 460	33 459	35 343	35 343	35 343	35 343	37 257	38 624	40 470
Depreciation & asset impairment	2 313	14 651	16 350	18 820	9 820	9 820	9 820	10 500	10 500	10 500
Finance charges	4 449	9 574	12 350	7 622	7 622	7 622	7 622	13 700	14 310	14 944
Materials and bulk purchases	42 940	53 169	57 853	67 110	67 510	67 510	67 510	70 375	74 104	78 130
Transfers and grants	1 454	14 644	7 132	6 363	7 500	7 500	7 500	14 808	15 088	15 388
Other expenditure	17 242	22 040	33 250	19 626	28 171	28 171	28 171	26 311	23 805	27 990
<b>Loss on disposal of PPE</b>	93 568	147 538	160 394	154 884	155 966	155 966	155 966	172 951	176 231	187 422
	12 702	(28 449)	(36 562)	(18 169)	(22 964)	(22 964)	(22 964)	(28 694)	(27 488)	(27 852)
Surplus/(Deficit)	12 702	(28 520)	(37 380)	(18 169)	(22 964)	(22 964)	(22 964)	(28 694)	(27 488)	(27 852)
Contributions recognised - capital & contributed assets	9 825	16 285	13 477	12 164	12 164	12 164	12 164	11 878	12 031	12 456
	35 229	(40 683)	(60 465)	(24 174)	(33 764)	(33 764)	(33 764)	(45 510)	(42 944)	(43 249)
<b>Transfers and subsidies - capital (in-kind - all)</b>										
Surplus/(Deficit) attributable to municipality	22 527	(12 235)	(23 903)	(6 005)	(10 800)	(10 800)	(10 800)	(16 816)	(15 457)	(15 396)
<b>Share of surplus/ (deficit) of associate</b>	57 756	(52 918)	(84 367)	(30 179)	(44 564)	(44 564)	(44 564)	(62 326)	(58 401)	(58 645)
<b><u>Capital expenditure &amp; funds sources</u></b>										
Transfers recognised - capital	9 825	16 285	14 867	12 164	12 164	12 164	12 164	11 878	12 031	12 456
<b>Total sources of capital funds</b>	9 825	16 285	14 867	12 164	12 164	12 164	12 164	11 878	12 031	12 456
<b><u>Financial position</u></b>										
Inventory	76	261	—	76	76	76	400	400	400	400

Description	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousands										
Provisions	11 008	10 775	10 048	11 986	11 986	11 986	11 986	18 898	18 944	19 044
<u>Cash flows</u>										
Net cash from (used, investing	(9 830)	(16 295)	(11 680)	(12 164)	(12 164)	(12 164)	(12 164)	(11 878)	(12 031)	(12 456)
Net cash from (used, financing	(955)	-	-	-	-	-	-	-	-	-
Cash/cash equivalents at the year beg	2 345	4 944	497	(14 071)	497	-	-	497	(50 384)	(98 236)
<u>Cash backing/surplus reconciliation</u>										
<u>Asset management</u>										
Repairs and Maintenance	4 449	9 574	12 350	7 622	7 622	7 622		13 700	14 310	14 944
<u>Free services</u>										
<u>Households below minimum service level</u>										

**Table 13 MBRR Table A2 - Budget Financial Performance (Revenue and Expenditure by Standard Classification)**

Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i><b>Governance and administration</b></i>		<b>47 893</b>	<b>56 676</b>	<b>59 705</b>	<b>62 532</b>	<b>65 343</b>	<b>65 343</b>	<b>42 732</b>	<b>39 157</b>	<b>49 387</b>
Executive and council		-	-	-	-	-	-	6 403	7 007	7 531
Finance and administration		47 893	56 676	59 705	62 532	65 343	65 343	36 328	32 150	41 856
Internal audit		-	-	-	-	-	-	-	-	-
<i><b>Community and public safety</b></i>		<b>3 895</b>	<b>2 931</b>	<b>4 415</b>	<b>5 189</b>	<b>3 668</b>	<b>3 668</b>	<b>9 901</b>	<b>12 181</b>	<b>12 987</b>
Community and social services		1 219	1 000	1 000	1 000	1 000	1 000	9 501	9 220	9 863
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		2 521	1 484	3 202	3 937	2 542	2 542	268	2 821	2 976
Housing		155	447	213	252	126	126	133	140	148
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		<b>6 254</b>	<b>8 644</b>	<b>7 101</b>	<b>8 218</b>	<b>8 218</b>	<b>8 218</b>	<b>30 722</b>	<b>32 000</b>	<b>33 475</b>
Planning and development		38	23	23	-	-	-	20	25	30
Road transport		6 216	8 621	7 078	8 218	8 218	8 218	30 702	31 975	33 445
Environmental protection		-	-	-	-	-	-	-	-	-
<i><b>Trading services</b></i>		<b>48 228</b>	<b>49 791</b>	<b>58 611</b>	<b>58 702</b>	<b>58 188</b>	<b>58 188</b>	<b>62 221</b>	<b>65 780</b>	<b>69 381</b>
Energy sources		45 488	46 548	55 470	55 375	55 646	55 646	58 395	61 759	65 156
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		2 740	3 243	3 141	3 327	2 542	2 542	3 826	4 021	4 225
<i><b>Other</b></i>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue - Functional</b>	<b>2</b>	<b>106 270</b>	<b>118 042</b>	<b>129 832</b>	<b>134 641</b>	<b>135 417</b>	<b>135 417</b>	<b>145 575</b>	<b>149 119</b>	<b>165 230</b>
<b>Expenditure - Functional</b>	<b>-</b>									
<i><b>Governance and administration</b></i>		<b>31 900</b>	<b>39 149</b>	<b>39 900</b>	<b>40 918</b>	<b>12 955</b>	<b>12 955</b>	<b>-</b>	<b>-</b>	<b>-</b>
Executive and council		3 246	2 489	2 911	3 395	3 395	3 395	-	-	-
Finance and administration		28 654	36 660	36 989	37 523	9 560	9 560	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-
<i><b>Community and public safety</b></i>		<b>2 526</b>	<b>3 014</b>	<b>3 591</b>	<b>2 291</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Community and social services		1 118	1 179	1 550	883	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		1 408	1 436	1 917	1 408	-	-	-	-	-
Housing		-	399	125	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i><b>Economic and environmental services</b></i>		<b>14 563</b>	<b>20 573</b>	<b>18 352</b>	<b>20 215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



Functional Classification Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18			2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1									
Planning and development		1 922	1 137	1 101	712	—	—	—	—	—
Road transport		12 641	19 436	17 251	19 503	—	—	—	—	—
Environmental protection		—	—	—	—	—	—	—	—	—
<b>Trading services</b>		<b>44 579</b>	<b>82 584</b>	<b>80 368</b>	<b>91 460</b>	—	—	—	—	—
Energy sources		42 179	79 997	96 489	87 448	—	—	—	—	—
Water management		—	—	—	—	—	—	—	—	—
Waste water management		—	—	—	—	—	—	—	—	—
Waste management		2 399	2 587	2 879	4 012	—	—	—	—	—
<b>Other</b>	4	—	—	—	—	—	—	—	—	—
<b>Total Expenditure - Functional</b>	3	<b>93 568</b>	<b>145 320</b>	<b>161 212</b>	<b>154 884</b>	<b>12 955</b>	<b>12 955</b>	—	—	—
<b>Surplus/(Deficit) for the year</b>		<b>12 702</b>	<b>(27 278)</b>	<b>(31 380)</b>	<b>(20 243)</b>	<b>122 462</b>	<b>122 462</b>	<b>145 575</b>	<b>149 119</b>	<b>165 230</b>

**Table 14 MBRR Table A4 - Budgeted Financial Performance (Revenue and Expenditure)**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	12 407	13 053	13 682	14 624	17 435	17 435	17 435	18 481	19 590	20 765
Service charges - electricity revenue	2	42 297	46 548	49 470	55 375	55 646	55 646	55 646	59 452	62 663	65 156
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	2 740	3 243	3 141	3 327	3 327	3 327	3 327	3 816	4 011	4 215
Service charges - other											
Rental of facilities and equipment		534	447	213	252	126	126	126	133	140	148
Interest earned - external investments		2 681	780	275	397	111	111	111	117	123	130
Interest earned - outstanding debtors			1 771	2 718	2 897	2 897	2 897	2 897	3 051	3 215	3 392
Dividends received											
Fines, penalties and forfeits		8 246	8 691	7 078	8 218	8 218	8 218	8 218	8 654	9 121	9 622
Licences and permits		2 521	1 484	3 202	3 937	2 542	2 542	2 542	2 677	2 821	2 976
Agency services											
Transfers and subsidies		34 434	40 001	41 364	44 614	38 614	38 614	38 614	44 022	43 144	49 209
Other revenue	2	2 440	3 071	2 689	3 074	4 086	4 086	4 086	3 854	3 916	3 956
Gains on disposals of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>106 270</b>	<b>119 089</b>	<b>123 832</b>	<b>136 715</b>	<b>133 002</b>	<b>133 002</b>	<b>133 002</b>	<b>144 257</b>	<b>148 743</b>	<b>159 569</b>
<b>Expenditure By Type</b>											
Employee related costs	2	25 170	33 460	33 459	35 343	35 343	35 343	35 343	37 257	38 624	40 470
Remuneration of councillors		1 903	2 486	2 718	3 186	2 741	2 741	2 741	2 752	2 901	3 060
Debt impairment	3	2 313	14 651	16 350	18 820	9 820	9 820	9 820	10 500	10 500	10 500
Depreciation & asset impairment	2	4 449	9 574	12 350	7 622	7 622	7 622	7 622	13 700	14 310	14 944
Finance charges		579	249	385	720	1 120	1 120	1 120	400	350	320
Buyer purchases	2	42 361	52 920	57 468	66 390	66 390	66 390	66 390	69 975	73 754	77 810
Other materials	8										
Contracted services		1 454	14 644	7 132	6 363	7 500	7 500	7 500	14 808	15 088	15 388
Transfers and subsidies	4	-	-	-	-	-	-	-	-	-	-
Other expenditure	5	15 339	19 554	30 532	16 440	25 430	25 430	25 430	23 559	20 704	24 930

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand	1										
Loss on disposal of PPE			71	818							
Total Expenditure		93 568	147 809	161 212	155 966	155 966	155 966	155 966	172 951	176 231	187 422
Surplus/(Deficit)		12 702	(28 520)	(37 380)	(18 169)	(22 964)	(22 964)	(22 964)	(28 694)	(27 488)	(27 852)
Transfers and subsidies - capita (monetary allocations) (National / Provincial and District)		9 825	16 285	13 477	12 164	12 164	12 164	12 164	11 876	12 031	12 456
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capita (in-kind - all)		22 527	(12 235)	(23 903)	(6 005)	(10 800)	(10 800)	(10 800)	(16 816)	(15 457)	(15 396)
Surplus/(Deficit) after capital transfers & contributions											
Taxation											
Surplus/(Deficit) after taxation		22 527	(12 235)	(23 903)	(6 005)	(10 800)	(10 800)	(10 800)	(16 816)	(15 457)	(15 396)
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		22 527	(12 235)	(23 903)	(6 005)	(10 800)	(10 800)	(10 800)	(16 816)	(15 457)	(15 396)
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		22 527	(12 235)	(23 903)	(6 005)	(10 800)	(10 800)	(10 800)	(16 816)	(15 457)	(15 396)

**Table 15 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>Capital expenditure - Vote</b>											
Technical		9 825	16 285	14 848	12 164	15 164	15 164	15 164	16 878	13 031	12 456
<b>Capital single-year expenditure sub-total</b>		<b>9 825</b>	<b>16 285</b>	<b>14 848</b>	<b>12 164</b>	<b>15 164</b>	<b>15 164</b>	<b>15 164</b>	<b>16 878</b>	<b>13 031</b>	<b>12 456</b>
<b>Total Capital Expenditure - Vote</b>		<b>9 825</b>	<b>16 285</b>	<b>14 848</b>	<b>12 164</b>	<b>15 164</b>	<b>15 164</b>	<b>15 164</b>	<b>16 878</b>	<b>13 031</b>	<b>12 456</b>
<b>Capital Expenditure - Functional</b>											
Executive and council											
Finance and administration											
Internal audit											
Community and social services											
Sport and recreation											
Public safety											
Housing											
Health											
<b>Economic and environmental services</b>		<b>9 825</b>	<b>16 285</b>	<b>14 867</b>	<b>12 164</b>	<b>12 164</b>	<b>12 164</b>	<b>12 164</b>	<b>16 878</b>	<b>12 031</b>	<b>12 456</b>
Planning and development											
Road transport		9 825	16 285	14 867	12 164	12 164	12 164	12 164	16 878	12 031	12 456
Environmental protection											
Energy sources											
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>9 825</b>	<b>16 285</b>	<b>14 867</b>	<b>12 164</b>	<b>12 164</b>	<b>12 164</b>	<b>12 164</b>	<b>16 878</b>	<b>12 031</b>	<b>12 456</b>
<b>Funded by:</b>											
National Government		9 825	16 285	14 867	12 164	12 164	12 164	12 164	11 878	12 031	12 456
Provincial Government											
District Municipality											
Other transfers and grants											
<b>Transfers recognised - capital</b>	<b>4</b>	<b>9 825</b>	<b>16 285</b>	<b>14 867</b>	<b>12 164</b>	<b>12 164</b>	<b>12 164</b>	<b>12 164</b>	<b>11 878</b>	<b>12 031</b>	<b>12 456</b>
<b>Public contributions &amp; donations</b>	<b>5</b>										
<b>Borrowing</b>	<b>6</b>										
<b>Internally generated funds</b>						3 000	3 000	3 000	5 000		
<b>Total Capital Funding</b>	<b>7</b>	<b>9 825</b>	<b>16 285</b>	<b>14 867</b>	<b>12 164</b>	<b>15 164</b>	<b>15 164</b>	<b>15 164</b>	<b>16 878</b>	<b>12 031</b>	<b>12 456</b>

**Table 16 MBRR Table A6 - Budgeted Financial Position**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		2 345	4 944	497	(20 740)	500	500	500	-		
Call Investment deposits	1	11 848	-	-	980	800	800	800	851	900	950
Consumer debtors	1	24 997	28 639	38 827	32 937	32 937	32 937	32 937	32 937	32 937	32 937
Other debtors		2 815	2 873	2 777	2 777	2 777	2 777	62 951	2 816	2 012	2 201
Current portion of long-term receivables		463	400		497	497	497	497	497	497	497
Inventory	2	76	261		76	76	76	400	400	400	400
<b>Total current assets</b>		<b>42 544</b>	<b>37 117</b>	<b>42 101</b>	<b>16 527</b>	<b>37 587</b>	<b>37 587</b>	<b>98 085</b>	<b>37 501</b>	<b>36 746</b>	<b>36 985</b>
<b>Non current assets</b>											
Long-term receivables		-	-	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-	-	-
Investment property		19 996	21 202	15 491	22 408	16 366	16 366	16 366	17 244	1 812	1 812
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	49 172	61 233	155 389	166 945	159 155	159 155	159 155	128 841	149 135	160 958
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	99	108	107	107	107	107	115	123	131
Intangible		5	3			1 067	1 067	1 067	1 012	961	913
Other non-current assets		-	108	1 122 689	116	107	107	107	28 249	27 486	26 112
<b>Total non current assets</b>		<b>69 173</b>	<b>82 645</b>	<b>1 293 677</b>	<b>189 576</b>	<b>176 802</b>	<b>176 802</b>	<b>176 802</b>	<b>175 461</b>	<b>179 516</b>	<b>189 926</b>
<b>TOTAL ASSETS</b>		<b>111 717</b>	<b>119 762</b>	<b>1 335 777</b>	<b>206 103</b>	<b>214 389</b>	<b>214 389</b>	<b>274 887</b>	<b>212 962</b>	<b>216 262</b>	<b>226 911</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1	-	-	-	-	-	-	-	-	-	-
Borrowing	4	582	478	527	-	-	-	-	-	-	-
Consumer deposits		266	248	264	266	266	266	266	266	266	266
Trade and other payables	4	25 623	35 572	53 749	20 124	49 124	49 124	49 124	40 309	40 309	8 325
Provisions		-	-	-	-	-	-	-	-	-	-
<b>Total current liabilities</b>		<b>26 471</b>	<b>36 298</b>	<b>54 540</b>	<b>20 390</b>	<b>49 390</b>	<b>49 390</b>	<b>49 390</b>	<b>40 575</b>	<b>40 575</b>	<b>8 591</b>
<b>Non current liabilities</b>											
Borrowing		-	39	242	-	17 562	17 562	17 562	15 523	13 125	10 951

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
Provisions		11 008	10 775	10 048	11 986	11 986	11 986	11 986	18 898	18 944	19 044
Total non current liabilities		11 008	10 814	10 290	11 986	29 548	29 548	29 548	34 421	32 070	29 995
<b>TOTAL LIABILITIES</b>		<b>37 479</b>	<b>47 112</b>	<b>64 830</b>	<b>32 376</b>	<b>78 938</b>	<b>78 938</b>	<b>78 938</b>	<b>74 996</b>	<b>72 644</b>	<b>38 586</b>
<b>NET ASSETS</b>	5	<b>74 238</b>	<b>72 650</b>	<b>1 270 947</b>	<b>173 727</b>	<b>135 451</b>	<b>135 451</b>	<b>195 949</b>	<b>137 966</b>	<b>143 618</b>	<b>188 324</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		63 550	59 604	58 575	85 322	60 090	62 090	62 090	137 966	143 618	188 324
Reserves	4	8 582	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>72 132</b>	<b>59 604</b>	<b>58 575</b>	<b>85 322</b>	<b>60 090</b>	<b>62 090</b>	<b>62 090</b>	<b>137 966</b>	<b>143 618</b>	<b>188 324</b>

**Table 17 MBRR Table A7 - Cash Backed Reserves / Accumulated Surplus Reconciliation**

Description	Ref	2014/15	2015/16	2016/17	Current Year 2017/18				2018/19 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2018/19	Budget Year +1 2019/20	Budget Year +2 2020/21
R thousand											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	(6 498)	(15 568)	(62 804)	(19 889)	(25 534)	(26 031)	(26 297)	(50 384)	(98 236)	(128 808)
Other current investments > 90 days		20 691	20 512	63 300	129	26 834	27 331	27 597	51 235	99 136	129 758
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		<b>14 193</b>	<b>4 944</b>	<b>497</b>	<b>(19 760)</b>	<b>1 300</b>	<b>1 300</b>	<b>1 300</b>	<b>851</b>	<b>900</b>	<b>950</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	19 230	19 709	14 124	14 124	14 124	14 124	14 009	14 009	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	1 434	(9 381)	5 672	(21 199)	8 034	8 034	(37 400)	(3 066)	(2 395)	(20 504)
Other provisions		-	-	-	8 299	8 299	8 299	8 299	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		<b>1 434</b>	<b>9 849</b>	<b>25 381</b>	<b>1 224</b>	<b>30 457</b>	<b>30 457</b>	<b>(14 977)</b>	<b>10 943</b>	<b>11 614</b>	<b>(20 504)</b>
<b>Surplus(shortfall)</b>		<b>12 759</b>	<b>(4 905)</b>	<b>(24 884)</b>	<b>(20 984)</b>	<b>(29 157)</b>	<b>(29 157)</b>	<b>16 277</b>	<b>(10 092)</b>	<b>(10 714)</b>	<b>21 454</b>

**Municipal manager's quality certificate**

I M. Moko Municipal manager of Mpofana Local Municipality, hereby certify that the 2018/19 draft budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the 2018/19 annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: MAYWELL MOYO -

**Acting: Municipal Manager of Mpofana Local Municipality**

Signature: \_\_\_\_\_

Date : \_\_\_\_\_

29/5/18

Print Name: Msizi Ngcobo

**Acting: Chief Financial Officer of Mpofana Local Municipality**

Signature: \_\_\_\_\_

Date : \_\_\_\_\_

29/03/2018